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XST CAPITAL GROUP
M&A, CAPITAL, STRATEGY

CONSIDERATIONS

XST CAPITAL GROUP INSIGHTS

From Investor to Operator: A PE Veteran's View on Gaming

Websters Dictionary: Consideration (kun-sid-uh-RAY-shun) - a careful weighing of the reasons for or against something.

From the Desk of Joel Simkins

Leveraging the Insights of our Newest Senior Advisor, Andrei Scrivens

In early July 2026, we introduced Andrei Scrivens as our newest senior advisor. I've had the pleasure of getting to know Andrei for the last decade plus, first calling on him during his time as an investor at Z Capital and then ultimately when he crossed over to the operating side at Affinity Interactive. I distinctly remember the times I came into his offices, as I always found our conversations spirited and stimulating when we discussed industry trends, potential acquisition targets, and the state of his business.

Having someone like Andrei who can explain how these groups formulate investment decisions, evaluate capital strategies, and share how the sausage is actually made is incredibly valuable to our firm and our clients.

Not long after I started my business, I remember getting a note from Andrei that he wanted to catch up and hear more about what I was planning for XST Capital Group. I was candidly flattered when he confirmed that I wasn't completely crazy for starting an investment banking boutique that could serve the lower/middle markets of the gaming industry, with a primary focus on the digital sector. As I've brought in senior advisors including Kent Young, Dean Ehrlich, and Jesse Wachtel, all with substantial industry expertise, it's been a pleasure to add Andrei, who brings unique expertise from his time as a private equity investor.

I've always found PE to be a bit of a club that I can understand from the outside but have not truly lived from the inside. Having someone like Andrei who can explain how these groups formulate investment decisions, evaluate capital strategies, and share how the sausage is actually made is incredibly valuable to our firm and our clients. I've asked him to share some of his background and experience around PE investing in the note below. I think we're both in agreement that PE investors will continue to be attracted to the gaming sector, and more groups will be crossing the Rubicon into the sector going forward. I hope you enjoy the read.

My Path to Private Equity

Andrei Scrivens - XST Capital Group Senior Advisor

Growing up in the rust belt in a working class family, I can say with certainty that private equity (PE) and gaming were the industries furthest from my mind when considering where to go with my career. That the two industries could be mentioned in the same sentence was once a prospect I'd have thought unfathomable. Yet here I am, reflecting with gratitude on my 30+ year career and the forces that conspired to lead me down the paths I took, culminating in the opportunity to both acquire a gaming company for a leading PE firm and subsequently run it as CEO and CFO at a time when the two industries were discovering each other.

At a high level, PE represents a vast spectrum of investment strategies, defined primarily by a target company's business maturity, financial health, and funding size.

Private equity firms and private credit funds are now investing billions into the real money gaming (RMG) sector, spanning brick-and-mortar casinos, iGaming, and sports betting, by acquiring casino operators, equipment manufacturers, software suppliers, and digital platforms. Historically, there have been relatively few firms willing to subject themselves to the regulatory scrutiny required to access these investment opportunities. However, with the proliferation of PE firms - there are now over 5,000 in the US - and their search for differentiated returns (alpha), industry parameters have expanded. This has also coincided with the growth of the digital side of the gaming ecosystem.

Private Equity at a Glance

We can speak at times as if PE is a monolithic industry, when in truth it is far from one size-fits-all, with a variety of strategies, cultures, and approaches to investing. Add in the element of timing - wherein the same firm may decline interest in a potential deal one day only to be the highest bidder for the same opportunity a few months later - and it epitomizes the ever-evolving nature of the market. At a high level, PE represents a vast spectrum of investment strategies, defined primarily by a target company's business maturity, financial health, and funding size. Below is a high-level segmentation of the PE universe. Within each category, firms will further segment by industry coverage, company size, investment amount, and operational focus.

	Venture Capital	Growth Equity	Leveraged Buyout
Company Stage	Early / Start-up	Scale-up / Growth	Mature
Ownership Stake	Minority (<20%)	Minority or Control	Control or 100%
Use of Debt	Rare / Limited	Strategic / Targeted Use	Permanent Capital
Cash Flow Profile	Pre-revenue or Negative CF	Breakeven - Positive CF	Stable Positive CF

The Shift from Niche to Institutional Mainstay

Historically, more established PE firms avoided the gaming sector due to its heavy regulatory requirements and the perceived cyclical volatility of casino revenues. However, as the industry transitioned from strictly physical operations to highly scalable digital platforms (iGaming and online sports betting), RMG transformed into a tech adjacent, high-growth asset class. Major institutional investors and asset managers have continuously stepped into the space. Three mainstays in the LBO segment have been Blackstone, with its long-standing ownership of Spanish gaming platform Cirsa as well as the Cosmopolitan and other Las Vegas Strip assets; Apollo Global Management's well-known Caesars investment and, more recently, its $6.3 billion deal for suppliers IGT and Everi Holdings; and Oaktree, with its holding of Interblock. Two large Canadian groups have also been active in the sector: Clairvest, a prominent late-stage growth/LBO investor, and Catalyst, a longtime owner of Gateway Casinos. The venture side includes firms that are less of a household name, such as Griffin Gaming Partners and 359 Capital, which recently spun out of Sapphire Ventures. Bottom line, when you add in groups like Platinum Equity, which has done incredibly well with Arrow International (a bingo and gaming equipment provider), the list of participants investing in gaming is steadily growing.

Why Private Equity Is Betting on RMG

RMG has an investment and financial profile that makes it very attractive to PE.

1. Recession-Resilient Cash Flows: Even during periods of macroeconomic uncertainty, RMG sectors exhibit "sticky" consumer behavior. Consumers historically maintain entertainment budgets for gambling, making traditional casino operations reliable generators of recurring, predictable cash flows.

We looked for deals where operating playbooks from adjacent industries within hospitality and tech could be applied to accelerate value creation. In founder-owned businesses that had grown past the venture stage, we looked for governance structures and business processes that could mitigate key-person risk.

2. The iGaming and Sports Betting Boom: The ongoing global legalization and expansion of online gambling have created a surge in digital betting. PE firms invest heavily in this space to capture the high margins associated with digital platforms, which carry far lower overhead and real estate costs than physical casinos. Given the dynamism in the digital sector - DFS, prediction markets, and all the other "flavors" of digital gaming - there is increasingly accelerated risk that the rules of engagement could shift relative to land-based gaming.

3. Tech Consolidation and Roll-Up Strategies: Private equity thrives on operational efficiency and scale. In the highly fragmented slot route, software, and B2B technology space, PE firms often acquire a "platform" company and subsequently purchase smaller, specialized competitors (a roll-up strategy). By consolidating competitors, PE firms can eliminate redundancies, cross-sell products, and command premium valuations when selling to larger public operators or taking companies public.

4. Data Monetization and Personalization: The shift to digital betting allows companies to capture vast quantities of player data. PE firms are actively investing in artificial intelligence and scaled data platforms to hyper-personalize user experiences, optimize player retention, and reduce customer acquisition costs.

I worked for a more operationally focused firm, so in addition to the attributes above, we looked for deals where operating playbooks (yield management, labor management, retail digital marketing) from adjacent industries within hospitality and tech could be applied to accelerate value creation. In founder-owned businesses that had grown past the venture stage, we looked for governance structures and business processes that could mitigate key-person risk and that had demonstrated an ability to grow independently of the founder's influence, or that were seeking help to "professionalize" the business.

The Regulatory Hurdle

Despite the lucrative margins, investing in real money gaming requires specialized expertise to navigate complex, fragmented, and frequently changing regulatory environments, which can be a challenge. Licenses are jurisdiction-specific, with any merger or acquisition requiring rigorous approval from state or provincial gaming commissions.

The regulations and licensing exist to maintain the integrity of the gaming ecosystem and protect it from corruptive influences. Most jurisdictions consider licensure a privilege, not a right, meaning it can be granted and revoked at the discretion of the commission. As a result, the licensure application process and depth of review are intended to weed out those of questionable character and history. That said, the review varies significantly by jurisdiction. For example, in Nevada, which is considered the "gold standard" for licensure, to sit on the board of directors of Affinity Interactive as well as operate in the C-suite, I was subject to an exhaustive investigation that included a detailed review of my personal finances, disclosure and review of family and personal relationships, and historical adherence to tax laws.

Specialized advisors ensure that deal provisions align with ever-evolving market terms while preventing overly restrictive covenants in the definitive documentation. Equally critical is assessing cultural alignment; the right private equity partner can deliver strategic relationships, industry expertise, and non-capital resources that accelerate execution.

The Nevada process culminates in a public hearing before the gaming review board, where an applicant is questioned in an open forum about any suspicious or unexplained activity, as well as the reason for the application. Fortunately, I've lived a simple life, so the amount of disclosure and the hearing itself were a non-event. For those with more complex finances or history, it's understandable why some may choose to avoid this process. On the other end of the spectrum, I've been licensed in a state where the process was more akin to getting a driver's license. For those who embark on the process in a more rigorous jurisdiction, a significant benefit for a PE firm or founder is that it opens the door to more M&A and investment opportunities. From the perspective of M&A bankers, licensure pre-qualifies bidders for regulated gaming assets, as it minimizes transaction closing risk due to licensure.

The recent growth in digital gaming has added further complexity, with entrepreneurs rapidly growing businesses that fall into regulatory gray areas such as prediction markets and sweepstakes. Generally, PE firms approach gray-market investment opportunities in a binary way: either they participate, or they don't. If a firm has significant investment in regulated companies, it's unlikely to risk its licensure with investments in gray-market companies. Additionally, the more institutional a firm's investor base, the less willing it will be to wade into gray-market investments for fear of reputational risk. Family offices, by contrast, may be more willing to navigate gray market investments, as the reputational risk is more contained.

Is PE Right for You?

Integrating institutional investors into a company's capital structure represents a milestone achievement, signaling a new phase of strategic growth and operational transformation. However, navigating institutional capital requires rigorous preparation. While investment capital may seem like a commodity, the associated governance, underwriting terms, and return expectations vary significantly by firm.

To evaluate these opportunities effectively, management teams should engage experienced financial and legal advisors. Specialized advisors ensure that deal provisions align with ever-evolving market terms while preventing overly restrictive covenants in the definitive documentation. Equally critical is assessing cultural alignment; the right private equity partner can deliver strategic relationships, industry expertise, and non-capital resources that accelerate execution.

Ultimately, institutional equity is only one of several pathways to scale. Whether pursuing private equity or alternative routes, the process of evaluating these options can provide vital clarity for a company's mission and strategy. Joel Simkins and his seasoned group of investment bankers at XST Capital Group stand ready to assist you through this process, offering tailored strategic assessment and capital structuring services to optimize your growth.

Andrei Scrivens - Strategic Advisor

Andrei has over 25 years in private equity as an investor, operator, and advisor, and he is experienced in all phases of corporate development, transformation, and restructuring. His strategic insights and "ownership mentality" gained as an investor combined with his operating leadership gives him a unique perspective and the ability to formulate innovative solutions in complex situations. Andrei most recently served as CEO and CFO of Affinity Interactive, an omnichannel gaming operator where he led the take-private acquisition of Affinity for a leading private equity fund. Prior to Affinity, Mr. Scrivens spent nearly two decades in private equity and as a financial advisor specializing in investments that required hand-on leadership. He originated and underwrote transactions, negotiated structure and financing, and served as a board director across portfolio companies. His experience spans many industries including gaming, hospitality, media, manufacturing, industrial, and consumer goods.

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